INDIANA COMMUNITY BUSINESS CREDIT CORPORATION

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March 1, 2008

Mr. John Ross, Executive Director
Legislative Services Agency
200 W. Washington, #301
Indianapolis, IN 46204-2789

Dear Mr. Ross:

In accordance with Section 22 of IC 23-6-4, the Indiana Business Development Credit Corporation Law, the enclosed 2007 Annual Report, along with the following narrative, is respectfully presented as the required Annual Report of Condition of the Indiana Community Business Credit Corporation.

In 2007, the Credit Corporation funded 5 loans for a total of $2,250,000 of direct loans to Indiana small businesses. This was an integral part of over $8,100,000 of total small business project financing, including Member Bank participation. Since its inception, the Credit Corporation has provided loans to 115 Indiana Companies for over $49 million which has been an important part of over $238 million of total project financing, including Member Bank participation. These Indiana small businesses would not have had access to this capital without the participation of the Credit Corporation.

Membership in the Credit Corporation now stands at 30 Indiana Banks (this number reflects mergers and acquisitions for many banks) with a total fund-pool of $28.6 million available to loan to Indiana small businesses.

The Indiana Community Business Credit Corporation is proud of its accomplishments in 2007 and looks forward to an even more successful year in 2008. Please feel free to contact our office if you have any questions or need additional information.

Sincerely,

Jean Wojtowicz

JW/dk

Enclosure

CC: Al Smith
Lt. Governor Becky Skillman

Professionally
Managed by
Cambridge Capital
Management Corp.

Indiana Community Business Credit Corporation

Financial Statements

Years Ended December 31, 2007 and 2006

BGBC Partners, LLP

Strength in numbers.

Indiana Community Business Credit Corporation

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BGBC Partners, LLP

Certified Public Accountants
and Business Consultants

Independent Auditors' Report

Board of Directors and Shareholders
Indiana Community Business Credit Corporation
Indianapolis, Indiana

We have audited the accompanying balance sheets of **Indiana Community Business Credit Corporation** (the "Company") as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Indiana Community Business Credit Corporation** as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BGBC Partners, LLP

March 7, 2008

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Indiana Community Business Credit Corporation

Balance Sheets

December 31, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	$ 420,800	$ 32,415
Commercial loans	10,279,723	10,441,553
Less allowance for loan losses	(591,101)	(295,414)
Loans, net (Note 2)	9,688,622	10,146,139
Accrued interest receivable	72,047	97,566
Loan fees, net	34,078	35,699
Deferred income taxes (Note 3)	317,410	179,270
Income taxes receivable	-	35,960
Total assets	$ 10,532,957	$ 10,527,049
Liabilities and Shareholders' Equity		
Liabilities:		
Notes payable (Note 4)	$ 6,867,157	$ 6,883,105
Accrued interest payable	107,687	121,134
Accounts payable and other liabilities	175,945	267,114
Income taxes payable	100,690	-
Deferred transaction fees	65,716	77,453
	7,317,195	7,348,806
Shareholders' equity:		
Common stock, no par value; 2,000 shares authorized, 607 shares issued and outstanding	1,301,584	1,301,584
Retained earnings	1,915,228	1,877,709
Treasury stock, 3 shares at cost	(1,050)	(1,050)
Total shareholders' equity	3,215,762	3,178,243
Total liabilities and shareholders' equity	$ 10,532,957	$ 10,527,049

See accompanying notes to financial statements.

Indiana Community Business Credit Corporation

Statements of Income

Years Ended December 31, 2007 and 2006

	2007	2006
Interest income:		
Interest income on loans	**$ 1,038,059**	$ 1,157,744
Variable transaction fees	**879,725**	723,439
	1,917,784	1,881,183
Interest expense	**490,877**	507,254
Net interest income	**1,426,907**	1,373,929
Provision for loan losses, net of recovery	**1,006,466**	808,000
Net interest income after provision for loan losses	**420,441**	565,929
Noninterest expenses:		
Management contract fees	**380,489**	348,437
Professional fees	**3,923**	97,189
Total noninterest expense	**384,412**	445,626
Income before income taxes	**36,029**	120,303
Income tax expense (benefit) (Note 3)	**(1,490)**	56,800
Net income	**$ 37,519**	$ 63,503

See accompanying notes to financial statements.

Indiana Community Business Credit Corporation

Statements of Changes in Shareholders' Equity

Years Ended December 31, 2007 and 2006

	Common Stock		Retained	Treasury Stock		
	Shares	Amount	Earnings	Shares	Amount	Total
Balance, January 1, 2006	607	$ 1,301,584	$ 1,814,206	3	$ (1,050)	$ 3,114,740
Net income	-	-	63,503	-	-	63,503
Balance, December 31, 2006	607	1,301,584	1,877,709	3	(1,050)	3,178,243
Net income	-	-	37,519	-	-	37,519
Balance, December 31, 2007	607	$ 1,301,584	$ 1,915,228	3	$ (1,050)	$ 3,215,762

See accompanying notes to financial statements.

Indiana Community Business Credit Corporation

Statements of Cash Flows

Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Net income	**$ 37,519**	$ 63,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	**(138,140)**	56,800
Provision for loan losses	**1,006,466**	808,000
Bad debt recovery	**198,534**	-
Changes in assets and liabilities:		
Accrued interest receivable	**25,519**	(12,957)
Income taxes receivable (payable)	**136,650**	125,630
Loan fees, net	**1,621**	1,621
Accrued interest payable	**(13,447)**	21,865
Accounts payable and other liabilities	**(91,169)**	113,422
Deferred transaction fees	**(11,737)**	11,228
Net cash provided by operating activities	**1,151,816**	1,189,112
Cash flows from investing activities:		
Loans made to customers	**(2,682,861)**	(3,754,837)
Principal collected on loans	**1,935,378**	1,883,996
Net cash used in investing activities	**(747,483)**	(1,870,841)
Cash flows from financing activities:		
Proceeds from notes payable	**1,694,052**	1,710,000
Principal payments on notes payable	**(1,710,000)**	(1,511,182)
Net cash provided by (used in) financing activities	**(15,948)**	198,818
Net increase (decrease) in cash and cash equivalents	**388,385**	(482,911)
Cash and cash equivalents, beginning of year	**32,415**	515,326
Cash and cash equivalents, end of year	**$ 420,800**	$ 32,415
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 504,324**	$ 485,389
Cash paid during the year for taxes, net of refunds received	**-**	(125,630)

See accompanying notes to financial statements.

1. Description of Business and Summary of Significant Accounting Policies

Indiana Community Business Credit Corporation ("Company") is owned by Indiana banks ("Member Banks") and provides secondary and supplemental financing to small and medium-sized Indiana companies. All loans require participation by a Member Bank in an amount at least as great as the Company's participation. The Company typically takes a collateral position which is secondary to the Member Bank's position. All of the Company's notes payable, accrued interest payable, and interest expense are to Member Banks. See Note 4.

The Company has a contract with Cambridge Capital Management Corp. ("CCMC") to provide staffing services. The contract renews automatically on an annual basis. The staffing services include consulting, loan packaging and servicing, office administration, and general and administrative expenses.

Interest Income

Interest income from loans is recognized when earned unless collection is doubtful. Interest does not accrue on doubtful accounts.

The Company can receive additional income from its borrowers to supplement interest income on loans receivable through provisions in loan agreements for variable transaction fees. The amount of these fees is determined by the timing of payment and the financial success of the borrower.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported therein and the disclosures provided. These estimates and assumptions may change in the future, and future results could differ. The estimate that is most susceptible to change in the near term is the allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses represents an amount that management estimates is adequate to provide for probable incurred losses in its loan portfolio. The ultimate outcome of this estimate is not known. Due to this uncertainty, it is at least reasonably possible that actual losses may be significantly different. Increases in the allowance are recorded as a provision for loan losses and charged to expense. In arriving at a judgment about the adequacy of the allowance, management considers the risk associated with the loans in its portfolio and the historical loan loss trends of similar business development companies. While management may periodically allocate portions of the allowance to specific loans, the whole allowance is available for any loan charge-offs that occur. A loan is charged off by management as a loss when deemed uncollectible, although collection efforts continue and future recoveries may occur.

Loans are considered impaired if full principal or interest payments are not anticipated. Impaired loans are carried at the present value of expected cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral-dependent. A portion of the allowance for the loan losses is allocated to impaired loans.

Loan Fees

Loan fees, net of direct origination costs, are deferred and amortized on a straight-line basis over the life of the loan as a part of interest income.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standard No. 109 ("SFAS 109"). SFAS 109 provides for current and deferred tax liabilities and assets using an asset and liability approach. See Note 3.

Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to the recognition of loan reserves and deferred loan costs and income.

Cash and Cash Equivalents

The statement of cash flows has been prepared using a definition of cash and cash equivalents that includes deposits with original maturity of three months or less.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 shall be effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is evaluating the impact, if any, the adoption of SFAS 157 will have on its financial statements.

2. Commercial Loans and Allowance for Loan Losses

The allowance for loan losses consists of the following activity:

	2007	2006
Balance, January 1	**$ (295,414)**	$ (519,884)
Provision for loan losses	**(1,205,000)**	(808,000)
Charge-offs	**909,313**	1,032,470
Balance, December 31	**$ (591,101)**	$ (295,414)

At December 31, 2007 and 2006, the balance of impaired loans totaled $698,071 and $175,032, respectively. No interest income was recognized from impaired loans during 2007 or 2006. Of the total allowance for loan losses, $300,124 and $70,013 have been allocated to impaired loans at December 31, 2007 and 2006, respectively. The average balance of impaired loans during 2007 and 2006 was $419,139 and $441,013, respectively.

At December 31, 2007 and 2006, the Company had unfunded commitments to originate loans of $809,257 and $1,142,617, respectively.

Investments were in the following industries at December 31:

	2007	2006
Manufacturing	**32.2%**	36.0%
Retail/Other	**28.1%**	27.4%
Services	**28.2%**	23.5%
Contractors	**11.4%**	13.1%

3. Income Taxes

Income tax expense (benefit) consists of the following:

	2007	2006
Federal:		
Current	**$ 111,362**	$ -
Deferred	**(108,500)**	43,430
	2,862	43,430
State:		
Current	**25,288**	-
Deferred	**(29,640)**	13,370
	(4,352)	13,370
	$ (1,490)	$ 56,800

Differences in the income tax expense for 2007 and 2006 from the federal statutory rate are primarily attributable to federal graduated tax rates and state income taxes. The components of deferred income tax assets consist of the following at December 31:

	2007	2006
Allowance for loan losses	**$ 331,893**	$ 124,970
Loan fees, net	**(14,483)**	(15,170)
Carryforward loss, federal	**-**	57,590
Carryforward loss, state	**-**	11,880
Total deferred income tax assets	**$ 317,410**	$ 179,270

4. Notes Payable

Notes payable consist of the following at December 31:

	2007	2006
Unsecured revolving credit notes with Member Banks. The interest rate is variable based on the Indiana Base Rate (7.25% and 8.25% at December 31, 2007 and 2006, respectively) and is payable semiannually. Upon written notice, a credit line may be terminated by either the Company or the Member Bank and would be due within three years after termination. Unused lines of credit were approximately $27,278,000 and $26,209,000 at December 31, 2007 and 2006, respectively.	**$ 6,867,157**	$ 5,173,105
Unsecured revolving demand credit note with a Member Bank The interest rate is variable based on the JPMorgan Chase Bank prime rate (7.25% and 8.25% at December 31, 2007 and 2006, respectively) and is payable monthly. The unused portion of the line of credit was $3,000,000 and $1,290,000 at December 31, 2007 and 2006, respectively.	**-**	1,710,000
	$ 6,867,157	$ 6,883,105